中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of CHK Oil Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000 (Restated)
Revenue	4	**153,126**	161,497
Cost of sales		**(150,955)**	(159,988)
Gross profit		**2,171**	1,509
Other income		**403**	6,351
Administrative expenses		**(36,141)**	(19,086)
Selling expenses		**–**	(1,304)
Loss on written off of property, plant and equipment		**(2,524)**	–
Reversal of (Provision for) for impairment loss of property, plant and equipment	10	**2,682**	(2,521)
Reversal of (Provision for) impairment loss of intangible assets	11	**26,218**	(20,879)
Provision for impairment loss of trade and other receivables		**(5,998)**	–
Finance costs	5	**(264)**	(249)

* *For identification purpose only*

	Notes	2024 *HK$'000*	2023 *HK$'000* *(Restated)*
Loss before tax	*6*	**(13,453)**	(36,179)
Income tax (expense) credit	*7*	**(8,029)**	4,895
Loss for the year		**(21,482)**	(31,284)
Other comprehensive loss for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(3,208)**	(2,836)
Total comprehensive loss for the year		**(24,690)**	(34,120)
Loss attributable to:			
Owners of the Company		**(21,482)**	(31,284)
Non-controlling interests		**–**	–
		(21,482)	(31,284)
Total comprehensive loss attributable to:			
Owners of the Company		**(24,690)**	(34,120)
Non-controlling interests		**–**	–
		(24,690)	(34,120)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*9*	**(2.55)**	(3.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**31 December 2024** **HK$'000**	31 December 2023 HK$'000 (Restated)	1 January 2023 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*10*	**16,099**	15,813	18,334
Intangible assets	*11*	**155,676**	129,458	150,337
Right-of-use assets		**1,484**	3,353	4,628
Statutory deposits and other assets		**2,622**	2,622	2,622
		175,881	151,246	175,921
Current assets				
Trade receivables	*12*	**4,332**	7,679	17,448
Prepayments, deposits and other receivables	*13*	**91,237**	176,945	125,962
Bank balances and cash		**13,511**	1,252	15,147
		109,080	185,876	158,557
Current liabilities				
Trade and other payables	*14*	**21,618**	50,729	23,246
Loans from ultimate holding company		**10,900**	2,980	–
Bank loan and other borrowings	*15*	**3,193**	13,854	–
Lease liabilities		**1,701**	1,888	1,735
Tax payable		**12,801**	11,716	13,120
		50,213	81,167	38,101
Net current assets		**58,867**	104,709	120,456
Total assets less current liabilities		**234,748**	255,955	296,377
Non-current liabilities				
Deferred tax liabilities		**6,100**	1,043	5,938
Lease liabilities		**–**	1,574	2,899
Other liabilities		**–**	–	82
		6,100	2,617	8,919
Net assets		**228,648**	253,338	287,458

	Notes	**31 December 2024 HK$'000**	31 December 2023 HK$'000 (Restated)	1 January 2023 HK$'000 (Restated)
Equity				
Share capital	*16*	**168,376**	168,376	168,376
Reserves		**59,257**	83,947	118,067
Equity attributable to owners of the Company		**227,633**	252,323	286,443
Non-controlling interests		**1,015**	1,015	1,015
Total equity		**228,648**	253,338	287,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2024

1. GENERAL INFORMATION

CHK Oil Limited (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Units 2617-18, 26th Floor, Mira Place Tower A, No. 132 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors of the Company, the Company's parent and ultimate holding company is Xin Hua Petroleum (Hong Kong) Limited ("**Xin Hua**"), a company incorporated in Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except where otherwise indicated.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis.

Restatement adjustments

The Group held exploitation interest in the gas and oil fields in the State of Utah, United States of America (the "**USA**") (the "**Utah Gas and Oil Field**"), through four leases with the Bureau of Land Management (the "**BLM**") of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. In August 2024, the Company discovered that three of the leases with the BLM would have been terminated at the earliest as at 26 September 2022, being 60 days after the Group received the BLM's written order of 22 June 2022 (the "**Relevant Leases**"). For details, please refer to the announcements of the Company dated 15 August 2024 and 27 September 2024 (collectively the "**Announcements**").

As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. In March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022 respectively. As such, the management considers that the Group has not possessed the exploitation interest in the Relevant Leases in the Utah Gas and Oil Field as at 31 December 2022.

Upon the termination of the Relevant Leases, the Group's oil and gas processing rights in Utah, the USA under intangible assets and the oil and gas properties under the property, plant and equipment related to the Relevant Leases as at 1 January 2023 and 31 December 2023 were not properly recorded. The consolidated financial statements for the financial year ended 31 December 2023 would have been restated.

The effect of the restatements on those financial statements relevant to the consolidated financial statements for the year ended 31 December 2024 is summarised as follows.

	Notes	**Previously reported** *HK$'000*	**Restatement adjustments** *HK$'000*	**Restated** *HK$'000*
As at 1 January 2023				
Consolidated Statement of Financial Position				
Property, plant and equipment	*(i)*	55,442	(37,108)	18,334
Intangible assets	*(ii)*	332,249	(181,912)	150,337
Non-current assets		394,941	(219,020)	175,921
Total assets less current liabilities		515,397	(219,020)	296,377
Deferred tax liabilities	*(iii)*	51,754	(45,816)	5,938
Non-current liabilities		54,735	(45,816)	8,919
Net assets		460,662	(173,204)	287,458
Reserves		291,271	(173,204)	118,067
− Accumulated losses		(2,928,993)	(173,204)	(3,102,197)
Equity attributable to owners of the Company		459,647	(173,204)	286,443
Total equity		460,662	(173,204)	287,458

	Notes	Previously reported HK$'000	Restatement adjustments HK$'000	Restated HK$'000
For the year ended 31 December 2023				
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Provision for impairment loss of property, plant and equipment		(6,630)	4,109	(2,521)
Provision for impairment loss of intangible assets		(39,870)	18,991	(20,879)
Loss before tax		(59,279)	23,100	(36,179)
Income tax credit		9,727	(4,832)	4,895
Loss for the year		(49,552)	18,268	(31,284)
Total comprehensive loss for the year		(52,388)	18,268	(34,120)
As at 31 December 2023				
Consolidated Statement of Financial Position				
Property, plant and equipment	*(i)*	48,812	(32,999)	15,813
Intangible assets	*(ii)*	292,379	(162,921)	129,458
Non-current assets		347,166	(195,920)	151,246
Total assets less current liabilities		451,875	(195,920)	255,955
Deferred tax liabilities	*(iii)*	42,027	(40,984)	1,043
Non-current liabilities		43,601	(40,984)	2,617
Net assets		408,274	(154,936)	253,338
Reserves		238,883	(154,936)	83,947
− Accumulated losses		(2,978,545)	(154,936)	(3,133,481)
Equity attributable to owners of the Company		407,259	(154,936)	252,323
Total equity		408,274	(154,936)	253,338
For the year ended 31 December 2023				
Consolidated Statement of Cash Flows				
Loss before tax		(59,279)	23,100	(36,179)
Provision for impairment loss of property, plant and equipment		6,630	(4,109)	2,521
Provision for impairment loss of intangible assets		39,870	(18,991)	20,879

Notes to the reconciliations:

(i) The restatement adjustment on the property, plant, and equipment amounting to HK$37,108,000 as at 1 January 2023 represented the loss on written off of HK$35,354,000 and the provision for impairment losses of HK$1,754,000 for the year ended 31 December 2022. The restatement adjustment on the property, plant, and equipment amounting to HK$32,999,000 as at 31 December 2023 represented the loss on written off and provision for impairment losses for the year ended 31 December 2022 and the reversal of impairment losses of HK$4,109,000 for the year ended 31 December 2023.

(ii) The restatement adjustment on the intangible assets amounting to HK$181,912,000 as at 1 January 2023 represented the loss on written off of HK$169,885,000 and the provision of impairment losses of HK$12,027,000 for the year ended 31 December 2022. The restatement adjustment on the intangible assets amounting to HK$162,921,000 as at 31 December 2023 represented the loss on written off and provision for impairment losses for the year ended 31 December 2022 and the reversal of impairment loss of HK$18,991,000 for the year ended 31 December 2023.

(iii) The restatement adjustment on the deferred tax liabilities decreased by HK$45,816,000 at 1 January 2023 represented the deferred tax impact on the restatement adjustments for property, plant and equipment and intangible assets mentioned in notes (i) and (ii) for the year ended 31 December 2022. The restatement adjustment on the deferred tax liabilities increased by HK$4,832,000 as at 31 December 2023 represented the deferred tax impact on the restatement adjustments for property, plant and equipment and intangible assets mentioned in notes (i) and (ii) for the years ended 31 December 2022 and 2023.

Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year, and which the Group elected to early adopt in the current year. A summary of the principal accounting policies adopted by the Group is set out below.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

(b) Going concern

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the cash requirements to meet its financial obligations as and when they fall due within the next twelve months. The Group incurred a net loss attributable to owners of the Company of HK$21,482,000 for the year ended 31 December 2024 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable are aggregated to approximately HK$50,213,000 which are due for repayment within the next twelve months after 31 December 2024, while the Group had only bank balances and cash of HK$13,511,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements which can be prepared on a going concern basis, after taking into consideration of the followings:

(i) the Group's ultimate holding company and its substantial beneficial shareholder have committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;

(ii) with reference to the cash flow projection for the next twelve months from the date of this announcement, the Group will maintain sufficient cash and cash equivalents through internally generated cash flows to finance its activities and pay its debts as and when they fall due;

(iii) the Group will consider other financing arrangements and fund-raising alternatives with a view to reduce the Group's debt/equity and to support the daily operations of the Group; and

(iv) the Group will continue to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flows from its operation in future.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the directors of the Company are of the opinion that, in light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Critical judgements made in applying accounting policies

Ownership and existence of intangible assets and related oil and gas properties

The Group held exploitation interest in the Utah Gas and Oil Field through four leases with the BLM of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. In August 2024, the Company discovered that the Relevant Leases with the BLM would have been terminated at the earliest as at 26 September 2022. As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. In March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022 respectively.

Based on the legal advice from the Company's legal advisers in Utah, taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by the BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of the BLM's first written order. In addition, although the termination orders issued by the BLM were set aside and remanded, the BLM deemed the Relevant Leases terminated, and the Group was not allowed to do any work on the wells on the Relevant Leases. As such, the Group considers that the Group has not possessed the exploitation interest in the Utah Gas and Oil Field as at 31 December 2022.

Accordingly, the intangible assets and the related oil and gas properties of the Relevant Leases have been written off during the year ended 31 December 2022.

(ii) Key sources of estimation uncertainty

Estimation of oil and natural gas reserves

Changes in proved oil and natural gas reserves will affect the depreciation, depletion and amortisation under the unit-of-production method recorded in the Group's consolidated financial statements for property, plant and equipment and intangible assets related to oil and gas production activities. The proved oil and natural gas reserves are also key determinants in assessing whether the carrying value of the Group's oil and gas properties and intangible assets have been impaired. Proved reserves are determined using estimates such as oil in place, future product prices and drilling and development plans.

Estimation of impairment of oil and gas assets and intangible assets

Oil and gas assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or there has been a favourable change in the estimates used to determine the recoverable amount. Determination as to whether and how much an asset is impaired or impairment loss is reversed involves the management estimates and judgements such as future price of oil and gas, the production profile and any significant changes in factors or assumptions used in estimating reserves.

Estimation of impairment of trade deposits paid

The Group's management estimates the loss allowance for trade deposits paid by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade deposit paid. If the ECL rates on the trade deposits paid over 365 days had been 1% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been HK$92,000 (2023: HK$1,200,000) higher (lower).

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in oil and gas sales; and trading of oil and oil-related and other products.

	2024		
	Oil and gas sales *HK$'000*	Trading of oil, oil-related and other products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas:			
recognised at a point in time			
– United States of America ("**USA**")	**1**	**–**	**1**
– Sales of oil-related and other products:			
recognised at a point in time			
– People's Republic of China ("**PRC**")	**–**	**153,125**	**153,125**
	1	**153,125**	**153,126**
Segment profit (loss)	**10,102**	**(6,128)**	**3,974**
Unallocated income			**5**
Unallocated expenses			**(17,285)**
Finance costs			**(147)**
Loss before tax			**(13,453)**
Income tax expense			**(8,029)**
Loss for the year			**(21,482)**

	2024			
	Oil and gas sales	Trading of oil, oil-related and other products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**168,153**	**106,052**	**–**	**274,205**
Unallocated assets			**10,756**	**10,756**
Total assets				**284,961**
Segment liabilities	**12,882**	**18,459**	**–**	**31,341**
Deferred tax liabilities	**6,560**	**(460)**	**–**	**6,100**
Unallocated liabilities			**18,872**	**18,872**
Total liabilities				**56,313**
Other information				
Interest income	**79**	**10**	**3**	**92**
Finance costs	**–**	**117**	**147**	**264**
Depreciation	**1**	**30**	**60**	**91**
– Property, plant and equipment	**–**	**–**	**1,869**	**1,869**
– Right-of-use assets				
Loss on written off of property, plant and equipment	**2,524**	**–**	**–**	**2,524**
(Reversal of) Provision for impairment loss				
– Property, plant and equipment	**(2,682)**	**–**	**–**	**(2,682)**
– Intangible assets	**(26,218)**	**–**	**–**	**(26,218)**
– Trade and other receivables	**–**	**5,998**	**–**	**5,998**
Legal and professional fees	**3,475**	**–**	**3,057**	**6,532**
Repair and maintenance expenses	**8,285**	**–**	**–**	**8,285**
Penalties	**4,683**	**–**	**–**	**4,683**

	Oil and gas sales *HK$'000* *(Restated)*	2023 Trading of oil, oil-related and other products *HK$'000*	Total *HK$'000* *(Restated)*
Revenue			
– Sales of oil and gas: recognised at a point in time			
– USA	–	–	–
– Sales of oil-related and other products: recognised at a point in time			
– PRC	–	161,497	161,497
	–	161,497	161,497
Segment (loss) profit	(24,991)	3,519	(21,472)
Unallocated income			203
Unallocated expenses			(14,687)
Finance costs			(223)
Loss before tax			(36,179)
Income tax credit			4,895
Loss for the year			(31,284)

	2023			
	Oil and gas sales	Trading of oil, oil-related and other products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)			*(Restated)*
Segment assets	140,709	183,802	–	324,511
Unallocated assets	–	–	12,611	12,611
Total assets				337,122
Segment liabilities	2,023	69,314	–	71,337
Deferred tax liabilities	1,043	–	–	1,043
Unallocated liabilities	–	–	11,404	11,404
Total liabilities				83,784
Other information				
Interest income	49	5,613	110	5,772
Finance costs	–	26	223	249
Depreciation				
– Property, plant and equipment	–	21	67	88
– Right-of-use assets	–	–	1,840	1,840
Provision for impairment loss				
– Property, plant and equipment	2,521	–	–	2,521
– Intangible assets	20,879	–	–	20,879
Legal and professional fees	–	–	960	960
Repair and maintenance expenses	1,218	–	–	1,218
Penalties	–	–	–	–

The Group's revenue from external customers and its non-current assets are categorised into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong (place of domicile)	**–**	–	**1,543**	3,460
USA	**1**	–	**174,229**	147,703
PRC	**153,125**	161,497	**109**	83
	153,126	161,497	**175,881**	151,246

5. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on bank loan	**117**	26
Interest on lease liabilities	**147**	223
	264	249

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Employee benefit expense, including directors' emoluments:		
– Salaries and allowances	**9,053**	10,017
– Retirement scheme contributions	**355**	363
	9,408	10,380
Cost of inventories	**150,955**	159,988
Depreciation		
– Property, plant and equipment	**91**	88
– Right-of-use assets	**1,869**	1,840
Auditor's remuneration:		
– Annual audit	**1,260**	880
– Non-assurance services	**170**	170
Loss on written off of property, plant and equipment	**2,524**	–
(Reversal of) Provision for impairment loss		
– Property, plant and equipment	**(2,682)**	2,521
– Intangible assets	**(26,218)**	20,879
Provision for impairment loss of trade and other receivables	**5,998**	–
Short-term lease payments	**756**	739
Legal and professional fees	**6,532**	960
Repair and maintenance expenses	**8,285**	1,218
Penalties	**4,683**	–

7. INCOME TAX (EXPENSE) CREDIT

Hong Kong Profits tax

The two-tiered profits tax rates regime has been implemented in Hong Kong since 1 April 2018.

For the years ended 31 December 2024 and 2023, no provision for Hong Kong profits tax has been made for the Hong Kong incorporated subsidiaries of the Group as they had no assessable profits for the years.

Overseas taxes

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

PRC Enterprise Income tax ("EIT")

EIT has been provided on the estimated assessable profits of a subsidiary operating in the PRC at a concessionary tax rate of 15% under Hainan Free Trade Port's Preferential Policies for the year ended 31 December 2024. EIT had not been provided as the subsidiary operating in the PRC incurred a loss for taxation purposes for the year ended 31 December 2023.

PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-Chinese tax resident enterprise, will be subject to PRC withholding tax at 10%.

Withholding income tax of 10% is provided on the dividends distributed or expected to be distributed by the PRC subsidiaries of the Group. As at 31 December 2024 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Groups' subsidiaries established in the PRC of HK$80,963,000 (2023: HK$79,295,000). In the opinion of the directors, these accumulated undistributed profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future.

US tax

For the years ended 31 December 2024 and 2023, no provision for US tax has been made for the US incorporated subsidiaries of the Group as they had no assessable profits. The tax rate adopted to measure the current tax and deferred tax balances is 21%.

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Current income tax on profit for the year		
PRC EIT	**1,311**	–
PRC withholding tax	**1,661**	–
	2,972	–
Deferred tax	**5,057**	(4,895)
Total tax expense (credit) for the year	**8,029**	(4,895)

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: HK$Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the followings:

	2024	2023
		(Restated)
Loss for the year attributable to owners of the Company *(HK$'000)*	**(21,482)**	(31,284)
Weighted average number of ordinary shares *('000)*	**841,636**	841,636
Basic and diluted loss per share *(HK cents)*	**(2.55)**	(3.72)

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2023, excluding ordinary shares held as treasury shares.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023.

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor Vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2023, as previously reported	90,116	89	1,380	–	91,585
Correction of prior year errors	(59,037)	–	–	–	(59,037)
At 1 January 2023, as restated	31,079	89	1,380	–	32,548
Additions	–	–	–	88	88
At 31 December 2023, as restated	31,079	89	1,380	88	32,636
At 1 January 2024, as previously reported	**90,116**	**89**	**1,380**	**88**	**91,673**
Correction of prior year errors	**(59,037)**	**–**	**–**	**–**	**(59,037)**
At 1 January 2024, as restated	**31,079**	**89**	**1,380**	**88**	**32,636**
Additions	**144**	**–**	**19**	**53**	**216**
Exchange difference	**–**	**–**	**(1)**	**2**	**1**
Written off	**(5,115)**	**–**	**–**	**–**	**(5,115)**
At 31 December 2024	**26,108**	**89**	**1,398**	**143**	**27,738**
Accumulated depreciation and impairment losses					
At 1 January 2023, as previously reported	34,865	89	1,189	–	36,143
Correction of prior year errors	(21,929)	–	–	–	(21,929)
At 1 January 2023, as restated	12,936	89	1,189	–	14,214
Charge for the year	–	–	80	8	88
Impairment loss	2,521	–	–	–	2,521
At 31 December 2023, as restated	15,457	89	1,269	8	16,823

	Oil and gas properties	Leasehold improvements	Furniture, fixtures and equipment	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2024, as previously reported	**41,495**	**89**	**1,269**	**8**	**42,861**
Correction of prior year errors	**(26,038)**	**–**	**–**	**–**	**(26,038)**
At 1 January 2024, as restated	**15,457**	**89**	**1,269**	**8**	**16,823**
Charge for the year	**–**	**–**	**64**	**27**	**91**
Exchange difference	**–**	**–**	**(1)**	**(1)**	**(2)**
Impairment loss reversed	**(2,682)**	**–**	**–**	**–**	**(2,682)**
Written off	**(2,591)**	**–**	**–**	**–**	**(2,591)**
At 31 December 2024	**10,184**	**89**	**1,332**	**34**	**11,639**
Net book value					
At 31 December 2024	**15,924**	**–**	**66**	**109**	**16,099**
At 31 December 2023, as restated	15,622	–	111	80	15,813
At 1 January 2023, as restated	18,143	–	191	–	18,334

11. INTANGIBLE ASSETS

	Oil and gas processing rights *HK$'000*
Costs	
At 1 January 2023, as previously reported	2,818,920
Correction of prior year errors	(1,470,745)
At 1 January 2023, 31 December 2023, and 1 January 2024, as restated and 31 December 2024	1,348,175
Accumulated amortisation and impairment	
At 1 January 2023, as previously reported	2,486,671
Correction of prior year errors	(1,288,833)
At 1 January 2023, as restated	1,197,838
Impairment loss	20,879
At 31 December 2023, as restated	1,218,717
At 1 January 2024, as previously reported	**2,526,541**
Correction of prior year errors	**(1,307,824)**
At 1 January 2024, as restated	**1,218,717**
Impairment loss reversed	**(26,218)**
At 31 December 2024	**1,192,499**
Net carrying amounts	
At 31 December 2024	**155,676**
At 31 December 2023, as restated	129,458
At 1 January 2023, as restated	150,337

The intangible assets represent oil and gas processing rights in Utah, the USA. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves. The lease contracts for oil and gas processing rights contain provisions that the Group is required to maintain the wells in production of oil or gas in paying quantities sufficient to pay the operating expenses after royalties and taxes.

12. TRADE RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables from third parties	**7,207**	7,679
Less: Loss allowance	**(2,875)**	–
	4,332	7,679

The credit period of trade receivables is normally within 60 – 365 days. The ageing analysis of the trade receivables based on the date of delivery/invoice date is as follows:

	2024	2023
	HK$'000	*HK$'000*
0-30 days	**–**	–
31-60 days	**–**	–
61-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**7,207**	7,679
	7,207	7,679

For the year ended 31 December 2024, an impairment loss for the trade receivables from contracts with customers within HKFRS 15 of HK$2,934,000 (2023: HK$Nil) is recognised in the consolidated statement of profit or loss and other comprehensive income.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		2024	2023
	Note	***HK$'000***	*HK$'000*
Prepayments		**1,117**	244
Rental and other deposits paid		**624**	641
Trade deposits paid	*(a)*	**89,207**	169,684
Interest receivable on trade deposits paid		**–**	5,575
Value-added tax and other tax receivables		**2,350**	–
Other receivables		**942**	801
		94,240	176,945
Less: Loss allowance		**(3,003)**	–
		91,237	176,945

Note:

(a) Trade deposits paid

Trade deposits paid represent prepayments to suppliers which are unsecured, interest-free (2023: except for trade deposits of HK$118,250,000 which borne interest at 4.35% per annum, other trade deposits were interest-free) and will be used to offset against future purchases from suppliers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 78% (2023: 70%) and 100% (2023: 100%) of the total trade deposits paid to the Group's largest supplier and the five largest suppliers respectively.

14. TRADE AND OTHER PAYABLES

	Notes	**2024** ***HK$'000***	2023 *HK$'000*
Trade payables to third parties	*(a)*	**246**	148
Other payables			
Accruals		**5,034**	3,617
Accrued directors' fee and salaries		**1,437**	1,632
Accrued legal and professional fees		**2,270**	90
Accrued repair and maintenance expenses		**3,257**	–
Accrued penalties		**4,683**	–
Deposits received from customers		**4,237**	4,770
Contract liabilities	*(b)*	**–**	32,160
Value-added tax and other tax payables		**67**	7,930
Other payables		**387**	382
		21,372	50,581
		21,618	50,729

Notes:

(a) The credit period of trade payables is normally within 90 days. The ageing analysis of the trade payables, based on the invoice date is as follows:

	2024 ***HK$'000***	2023 *HK$'000*
0-30 days	**–**	37
31-60 days	**–**	–
61-180 days	**–**	–
181-365 days	**53**	–
Over 365 days	**193**	111
	246	148

(b) The contract liabilities from contracts with customers within HKFRS 15 at end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the year are as follows:

	2024	2023
	HK$'000	*HK$'000*
At beginning of the reporting period	**32,160**	–
Recognised as revenue	**(32,160)**	–
Receipt of advances	**–**	32,160
At end of the reporting period	**–**	32,160

15. BANK LOAN AND OTHER BORROWINGS

		2024	2023
	Note	***HK$'000***	*HK$'000*
Bank loan	*(a)*	**3,193**	2,859
Other borrowings		**–**	10,995
		3,193	13,854

Note:

(a) Bank loan

The bank loan represents the unsecured revolving banking facility of RMB3,000,000 (equivalent to HK$3,193,000) (2023: RMB2,600,000 (equivalent to HK$2,859,000)) utilised, with a term of 1 year from 13 August 2024 (2023: 8 August 2023), that carries variable interest rate with reference to the PRC's Loan Prime Rate as determined by the National Interbank Funding Center plus 0.13% per annum (2023:0.68% per annum). As at 31 December 2024, the effective interest rate of the bank loan was 3.48% per annum (2023: 4.23% per annum).

16. SHARE CAPITAL

	2024		2023	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
At beginning of the reporting period and at end of the reporting period, ordinary shares of HK$0.2 each	**100,000,000**	**20,000,000**	100,000,000	20,000,000
Issued and fully paid:				
At beginning and at the end of the reporting period, ordinary shares of HK$0.2 each	**841,879**	**168,376**	841,879	168,376

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2024 (the "**Year**"), the Company and its subsidiaries (the "**Group**") recorded a consolidated revenue of approximately HK$153.1 million (2023: approximately HK$161.5 million) mainly contributed from the trading of oil, oil-related products and other products business. Basic and diluted loss per share for the Year was HK$2.55 cents (2023 (Restated): HK$3.72 cents). Basic and diluted loss per share were based on the weighted average of approximately 841.6 million shares (2023: approximately 841.6 million shares) in issue for the Year. Gross profit for the Year amounted to approximately HK$2.2 million (2023: approximately HK$1.5 million), which was mainly contributed by the trading of oil and oil-related products in the PRC.

The net loss attributable to the owners of the Company for the Year was approximately HK$21.5 million, as compared with the net loss attributable to owners of the Company of approximately restated HK$31.3 million for the year ended 31 December 2023. The decrease in the net loss for the Year was mainly attributable to the reversal of impairment loss on the oil and gas properties and intangible assets, partially offset by the increase in administrative expenses which was primarily driven by the increase in expenditure of the maintenance works for the wells in the Utah Gas and Oil Field.

In respect of the reversal of impairment loss on the oil and gas properties and intangible assets in the oil and gas sales segment, the increase in the fair value of oil and gas properties and intangible assets was primarily attributable to increase in natural gas price during the Year.

BUSINESS REVIEW

Trading Business

The crude oil industry has its industry-specific characteristics as domestic supplies are concentrated in a few enterprises. Based on the industry practice in the PRC, to secure a steady crude oil supply for trade, procurement agreements usually would be signed with suppliers and prepayment of purchase would be made in advance. However, due to the rising operating costs, some oil refineries faced thin margins or even losses, and scaled down their production, which eventually limited the extent of trade activities and caused significant impact on performance for our trading business in term of trading volume and profit margin. During the Year, the Group recorded revenue of approximately HK$153.1 million (2023: approximately HK$161.5 million) in the trading of oil, oil-related and other products segment.

Utah Gas and Oil Field

As disclosed in the announcements of the Company dated 15 August 2024 and 27 September 2024, the Bureau of Land Management (the "**BLM**") of the United States Department of Interior issued written orders stating that the BLM considered three of the Group's leases (the "**Relevant Leases**") have been terminated on 31 July 2020 and 31 March 2021, respectively. Based on the legal advice from the Company's legal advisers in Utah, taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by the BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of the BLM's first written order. As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. In light of the termination of the Relevant Leases, the Group filed a request for review of the BLM's decision on 26 September 2024. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. On 12 March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022, respectively reconfirming its decision to terminate the Relevant Leases.

In addition, although the termination orders were set aside and remanded, the BLM deemed the Relevant Leases terminated, and the Group was not allowed to do any work on the wells on the Relevant Leases. As such, the Group considers that the Group has not possessed the exploitation interest of the Relevant Leases in the Utah Gas and Oil Field as at 31 December 2022. As of 31 December 2024, the Group ceased to hold interest in the Relevant Leases, while it continues to retain the procession of the three remaining leases (the "**Remaining Leases**").

Presently, the Group oversees four wells under the Remaining Leases. In order to revitalise production, the Group is working with an oil services company for the maintenance of production facilities. In late December 2024, one of the wells has successfully undergone maintenance and resumed production. In late February 2025, two more wells have completed the necessary gas testing and are poised to commence production, pending the integrity of the pipeline and pigging system installation. The fourth well remains under maintenance. During the Year, the Group recorded revenue of approximately HK$1,000 (2023: Nil) in the oil and gas sales segment.

Principal Risks and Uncertainties Facing by the Group

Risk associated with the Utah Gas and Oil Field

As mentioned in above section headed "Business Review" in this announcement, the Company has been in the course of seeking legal advice from its legal advisers in Utah to assess the legal implications and penalty, if any, and the possible legal actions that may be taken under the applicable laws in respect of the Relevant Leases and the orders of the BLM. As advised by its legal advisers in Utah, the BLM's termination decision was led by the lack of production on the Relevant Leases since 2020, which was during the time of the Covid-19 pandemic and the restructuring of the third-party service provider which had caused interruption to its provision of gas transportation pipeline on the Relevant Leases. Although in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies, in March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022, respectively. The Company will continue to seek legal advice from its legal advisers on the possible legal actions that may be taken under the applicable laws in respect of the Relevant Leases and the termination decision of the BLM. The Group will closely monitor the development and take all possible actions to protect and safeguard the interests of the Company and its shareholders.

Price risk

The revenue and financial results of the oil and gas sales segment are sensitive to changes in natural gas and oil prices and general economic conditions. Any substantial decline in natural gas or oil prices may result in delay or cancellation of existing or future drilling, exploration or reduction and closure of production. Furthermore, it could have a negative impact on the value and amount of our reserves, net income from production and trade, our cash flow and profitability.

In the Year, oil price fluctuated between approximately US$70/barrel and US$90/barrel, while natural gas fluctuated between approximately US$1.51/million British thermal units ("**MMBtu**") and US$3.25/MMBtu. At the beginning of 2024, the price of Brent crude oil started at approximately US$80 per barrel, gradually decreased to approximately US$70 per barrel in late 2024. The price of natural gas started at approximately US$2.6/MMBtu at the beginning of 2024 and closed at approximately US$3.4/MMBtu in December 2024. (Source: eia.gov)

Natural gas and oil prices are both expected to fluctuate in the foreseeable future due to uncertain factors related to the supply and demand of these commodities in the market. These uncertain factors are in turn resulting from the high degree of uncertainty in the growth of the global economy, war situation between Russia and Ukraine. As such, it may be difficult to budget and project the returns on the development and exploitation projects. In order to alleviate the negative impact of the price uncertainties, the Group has reviewed its pricing policies and ensure that the contracts entered into by the Group include a necessary price adjustment mechanism with reference to the quoted market price.

Cost risks and risk associated by hiring third party service providers

The exploration for and development of our well sites of Utah Gas and Oil Field requires a significant amount of capital investment. The operation of the Utah Gas and Oil Field also depends on services provided by third parties, including, without limitation, processing pipelines for the transportation of products, equipment procurement, and operation and construction services on certain production facilities. The possible costs for the construction and production equipment as well as the services can inflate costs of project development and increase future production cost. Furthermore, the failure of any third service party to comply with the terms and conditions of the applicable agreements will have a negative impact on our operations. The Group actively seeks alternative third-party service providers with reasonable cost and necessary licences across the world and conducts due diligence on the counter-parties to mitigate the risks associated with the third-party service providers.

OPERATIONAL REVIEW AND UPDATE ON RESERVES

Except for the maintenance works for the wells under the Remaining Leases, the Group has not undertaken any further exploration and development on the Utah Gas and Oil Field for the Year. During the Year, there have been production activities in the Utah Gas and Oil Field and the expenditure for such production activities and its associated cost (including the maintenance costs) was approximately HK$8.3 million.

Following the termination of the Relevant Leases, according to the latest reserves and resources evaluation report, the gross proved gas reserves and the gross proved plus probable gas reserves of the Utah Gas and Oil Field as at 31 December 2024 were approximately 31.7 billion cubic feet and 34.1 billion cubic feet respectively (2023: 86.7 billion cubic feet and 90.2 billion cubic feet[Note]); and the gross proved oil and condensate reserves and the gross proved plus probable oil and condensate reserves of the Utah Gas and Oil Field as at 31 December 2024 were approximately 276 thousand barrels and 1,712 thousand barrels respectively (2023: 938 thousand barrels and 3,152 thousand barrels[Note]).

PROSPECTS

Trading and Service Business

The Company has been proactively discussing with its heavy industry customers during the year and the Company entered into a framework agreement with customers to arrange for delivery of cruel oil in the forthcoming year. The Group expects that, with the heavy and manufacturing industry sector gradually resuming normal in the PRC, the domestic demands for cruel oil and oil-related products and the Group's trading business is anticipated to improve in 2025. The Company will continue to strive to improve its operating results and financial position to address the going concern assumption for the subsequent reporting period.

Looking ahead, the oil trading business is still affected by the progress of international trade normalization, especially in terms of the PRC's low inflation and international political situations. In spite of the uncertainties and challenges ahead, the Group will continue to (i) maintain and develop its existing business as well as explore new business opportunities in the following areas of international trade on oil and oil-related products; (ii) seek high-quality leasable and purchasable projects in the upstream and downstream of the industry; and (iii) striving to achieve vertical synergies in the industries of the petroleum and petrochemical.

Note:

The reserves of gas, oil and condensate as of 31 December 2023 are based on the reserves and resources evaluation report dated 30 March 2022, with no significant production occurring since 2022.

Utah Gas and Oil Field

In respect of the Remaining Leases, our strategic focus is now directed towards restoring operational capacities within our natural gas and liquefied petroleum gas fields under the Remaining Leases. The Group has retained close attention and continuously followed up on the repairment works of the production facilities of the oil and gas wells under the Remaining Leases. As mentioned above, three of the wells have completed their maintenance, with one already back in production. Committed to restoring full operational capacity, the Group will continue to closely monitor the maintenance progress of the wells under the Remaining Leases to ensure production resumes seamlessly.

Upon resuming production of the wells under the Remaining Leases, the Group will assess its financial resources and capacities to reformulate new drilling plan to enhance the production scale. The Group will consider a range of financing options to address funding needs as they emerge, while also exploring the development of new wells by co-operating with other investor to share expertise, costs, and risks effectively. Leveraging the extensive industry expertise of our chairman of the Board in the PRC's oil and gas sector, we are exploring opportunity to implement advanced oil and gas extraction technologies from the PRC to improve the productivity and operational efficiency of the Utah Gas and Oil Field. Upon successfully integrating these advanced technologies into our oil and gas wells, the Group plans to capitalise on its enhanced capabilities by exploring opportunities in the domestic market. The Group will strategically promote these innovations, showcasing their potential to optimise extraction efficiency, increase production yields, and meet the evolving demands of the domestic energy sector.

Looking ahead, our strategic agenda encompasses the proactive promotion of cost-effectiveness while sustaining production growth. Emphasis will be placed on completion quality management, alongside vigilant cost control, to attain the mutual objectives of improving productivity and operational efficiency.

In the long run, the Group will explore potential investments in clean energy, waste-to-energy technology and renewable energy, aiming to minimise emissions, achieve long-term sustainability and environmentally friendly objectives.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, there were HK$10.9 million outstanding balance of interest-free loans owed to its ultimate holding company (being the controlling shareholder of the company) (As at 31 December 2023: HK$3.0 million) and RMB3.0 million (Approximately equivalent to HK$3.2 million) outstanding balance of interest bearing loan with variable interest rate owed to bank and no interest-free loan owed to other borrower (As at 31 December 2023: HK$13.9 million). The Group's cash and bank balances as at 31 December 2024 was approximately HK$13.5 million (approximately HK$1.3 million as at 31 December 2023), it was mainly due to the decrease in trade deposit paid. The current ratio (calculated on the basis of the Group's current assets over current liabilities) was approximately 2.2 times (As at 31 December 2023: 2.3 times).

The Group requires additional capital from time to time to maintain operations and maximise returns. Our source of funds primarily generated from our business activities and financial support from the ultimate holding company. We adopt a relatively conservative treasury policy to reduce business risks. During the Year, the Group did not use any financial instruments for hedging.

The Group's total finance costs was approximately HK$264,000 for the Year (2023: HK$249,000). The increase was mainly due to the increase in interest on bank borrowings during the Year.

On 17 January 2025 (after trading hours), the Company and Xin Hua Petroleum (Hong Kong) Limited ("**Xin Hua**") entered into a loan settlement agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of loan from Xin Hua of HK$5,000,000 will be partially settled through allotment and issuance of 12,048,192 capitalisation shares at the Issue Price of HK$0.415 per capitalisation share to Xin Hua. For details, please refer to the announcement of the Company published on 17 January 2025 and 21 March 2025.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2024, the Group did not have any charges on assets (31 December 2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and associated companies during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Prospects" in this announcement, there were no future plans for material investments or capital assets.

SIGNIFICANT INVESTMENT

Save as those disclosed under the section headed "Management Discussion and Analysis" in this announcement, the Group did not have any significant investment during the Year.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is mainly denominated in RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchange rates. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. During the Year, the Group conducted its business transactions principally in US$ and RMB or in the local currencies of the operating subsidiaries. Having considered (i) the historical trend of the exchange rates between the RMB and HK$; and (ii) the operation of the Group which does not involve significant volume of cross-border remittances, the Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

GEARING RATIO

As at 31 December 2024, the gearing ratio (debt-to-asset ratio) of the Group, calculated as total liabilities divided by total assets, was approximately 19.8% (31 December 2023 (Restated): 24.9%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the number of employees of the Group was about 20 (2023: 27). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; and other employee benefits include travelling allowances and discretionary bonuses.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) On 15 January 2025, the Company and Guoyuan Securities Brokerage (Hong Kong) Limited (the "**Placing Agent**") entered into a placing agreement, pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best effort basis, the placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for no more than 20,000,000 new shares of the Company (the "**Placing Shares**") at a price of HK$0.385 per Placing Share (the "**Placing**").

The Placing was completed on 5 February 2025. An aggregate of 15,426,000 Placing Shares have been placed by the Placing Agent at the placing price of HK$0.385 per Placing Share pursuant to the terms and conditions of the placing agreement. For further details, please refer to the announcements of the Company dated 15 January 2025 and 5 February 2025.

(ii) On 17 January 2025 (after trading hours), the Company and Xin Hua entered into a loan settlement agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of loan from Xin Hua of HK$5,000,000 will be partially settled through allotment and issuance of 12,048,192 capitalisation shares at the issue price of HK$0.415 per capitalisation share to Xin Hua. For further details, please refer to the announcement of the Company dated 17 January 2025 and the circular dated 28 February 2025.

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION ON THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2024.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2024. (2023: nil)

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by its Directors. Having made specific enquiries with all Directors, the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company are committed to promoting high standards of corporate governance practices and procedures to ensure that sound and appropriate corporate governance practices are in place to grow the Group and safeguard the interests of shareholders and the Group's assets. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Listing Rules as its own code of corporate governance. During the year ended 31 December 2024, to the best of the knowledge of the Board, the Company was in compliance with the relevant code provisions set out in the CG Code, except for the deviations explained below.

Code provision	**Reasons for the non-compliance and improvement action took or to be taken**
C.1.6	Under the code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend shareholders' meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Chen Junyan, a then non-executive Director was unable to attend the annual general meeting of the Company held on 7 June 2024 due to other important engagement.
C.2.1	Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Yu Jiyuan as an executive Director and ceased to be the Chairman and Chief Executive Officer of the Company ("**CEO**") with effect from 4 October 2024, Mr. Yu Zhibo was redesignated as the Chairman and Mr. Jin Ailong was appointed as the CEO with effect from 4 October 2024. The Company has complied with, and there is no deviation from, code provision C.2.1 of the CG Code.

Code provision	Reasons for the non-compliance and improvement action took or to be taken
D.1.2	The Company has not provided all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. However, the Company has provided updated business information based on the business situation to enable the Board as a whole and each Director to discharge their duties. The Company considers that such business information arising from the ordinary course of business provided to the Board from time to time in lieu of monthly updates is sufficient to enable the Board to discharge its duties. In the event that there are any significant updates to be provided, the Company will inform all the Directors as early as practicable for discussion and resolution. Every Director could make enquiries with the Company about the business operation of the Group and give suggestions or feedback freely.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Ms. Huang Qingwei (Chairlady), Ms. Zhong Bifeng and Mr. Shen Shigang. The Audit Committee has reviewed with management and external auditor of the Company, the annual result of the Group for the year ended 31 December 2024, and the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that such statements complied with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosure have been made.

SCOPE OF WORK OF FORVIS MAZARS CPA LIMITED

The figures contained in this results announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2024 have been agreed by the Group's auditor, Forvis Mazars CPA Limited ("**Forvis Mazars**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2024. The work performed by Forvis Mazars in this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Forvis Mazars on this announcement.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

The following is an extract of Forvis Mazars's report on the Group's consolidated financial statements for the year ended 31 December 2024.

We draw attention to the "Going concern" section in note 2(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss attributable to owners of the Company of HK$21,482,000 for the year ended 31 December 2024 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,213,000 which are due for repayment within the next twelve months after 31 December 2024, and also the Group had only bank balances and cash of HK$13,511,000. These conditions along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors, having considered the plans and measures being taken by the Group, are of opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

By Order of the Board
CHK Oil Limited
Yu Zhibo
Chairman

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhibo, Mr. Jin Ailong, Ms. Yang Yuyan and Ms. Sun Xiaoze, two non-executive Directors, namely Mr. Lin Qing Yu and Mr. Zheng Ye and three independent non-executive Directors, namely Ms. Zhong Bifeng, Ms. Huang Qingwei and Mr. Shen Shigang.

* *For identification purpose only*